Select Committee Call for Evidence – The Seventh Carbon Budget

Summary

- Energy requirements from logistics road freight vehicles in 2050 could be 32 TWh.
- While electrification is expected to be the long-term route to decarbonisation the sector sees low carbon fuels (LCFs) as essential, particularly for 40-44t vehicles in the near term as a bridging solution.
- 40% of surveyed logistics road operators have concerns about the limited range and payload issue for electric HGVs.
- In the UK, electricity prices were 19% above the EU average in the second half of 2024. The CCC has recognised the urgency with which the UK energy industry must be modernised and subsidised to enable electrification across all industries, including logistics.
- UK ports need to be identified as Critical National Infrastructure (CNI) and receive priority status for grid upgrades to enable port users to decarbonise.

About Logistics UK

Logistics UK is one of the country's largest business groups, and the only trade association which represents all of logistics. Our mission is to support, shape and stand up for a safe, sustainable and efficient logistics sector. Our membership of more than 22,000 includes global, national and regional businesses and SMEs spanning road, rail, inland waterways, sea and air as well as the customers of freight services, such as retailers and manufacturers. We deliver services, representation and thought leadership, helping members and policymakers to seize new opportunities for the sector and the economy as a whole, right across the country.

Logistics underpins our economy and is fundamental to our way of life. It supplies our hospitals, schools, factories, construction sites, shops and homes with everything they need, everywhere, every day – nothing moves without it.

The efficiency of logistics and the productivity of the economy are completely intertwined. Due to this relationship, Oxford Economics found in 2023 that getting the policy and infrastructure environment right for logistics would unlock up to £8 billion a year in productivity-led growth.

However, we are not currently going in the right direction. The UK fell from 4th to 19th place in the World Bank Logistics Performance Index over the past decade, largely as a result of border friction and underinvestment in transport corridors.

Logistics is a major sector in its own right. It contributes more than £170 billion to the economy each year (12% of UK non-financial GVA), is one of the UK's largest employers, providing good jobs with strong career progression – 2.7 million people (8% of the UK workforce) are employed in logistics roles, and the sector's key hubs provide a catalyst for further growth and investment, helping places to thrive.

Are there critical interdependencies (e.g. between aviation, agriculture, and energy) that could affect delivery of the statutory targets?

Sustainability matters for freight. In the CCC's Seventh Carbon Budget, battery-electric vehicles (BEVs) are assumed to be the primary pathway to decarbonisation for heavy goods vehicles (HGVs).[1] For logistics, continuing to be able to meet customer requirements safely and efficiently remains a priority, and current heavier BEVs do not yet meet those operational requirements.

Although the available BEV models are not suitable for the decarbonisation of all fleets and all commercial vehicles, this has not stopped logistics operators across modes from taking steps to decarbonise their operations. However, there are critical interdependencies like the availability of green energy and the cost of low carbon fuels (LCFs), which are delaying or impacting the decarbonisation of the logistics industry. Without addressing these obstacles, the statutory targets are very likely to be affected.

Green energy and logistics energy requirements

The synergies between logistics electrification and the energy sector's decarbonisation are evident across the logistics industry, especially according to the Seventh Carbon Budget which assumes BEVs are chosen to decarbonise most HGVs. Earlier this year, research by Logistics UK on behalf of the Department for Transport's Freight Energy Forum found that it is likely the energy requirements from logistics road freight vehicles in 2050 could be 32 TWh.[2] This equates to over 85% of the UK's current nuclear energy output. Therefore, energy sector decarbonisation and reform to the connections process to make it easier, cheaper and more efficient is essential to enable the decarbonisation of the logistics industry. Logistics operators are being informed it can take 5+ years to obtain a sufficient grid connection to be able to install the infrastructure to charge their vehicles which the UK economy relies on. Despite the launch of the National Energy Systems Operator (NESO), connections queues are not prioritising strategic logistics infrastructure, for example ports and depots, which is preventing the logistics industry from electrifying.

As 95% of goods enter the UK by sea, and are redistributed to road or rail, it is crucial that ports are prioritised for grid connections and upgrades to enable logistics decarbonisation whilst ensuring that the UK economy continues to operate productively. Some ports have electrified their operations but are relying on gas-fired power stations to produce the energy they require at peak times, due to challenges procuring green energy. This issue highlights where logistics decarbonisation relies on the decarbonisation of the energy sector, and that there must be enough green energy to allow for the logistics industry to decarbonise. The UK's Industrial Strategy recognises the need for more efficient road and rail connections to ports but does not reference the need for UK ports to be identified as Critical National Infrastructure (CNI), and to be first in the queue for obtaining the essential grid connections and upgrades required to support users of the ports to decarbonise.

Planning reforms and the move to ZE technologies

Logistics UK supports the principle of expanding renewable energy deployment as part of our sector's commitment to decarbonisation. However, the current planning process is widely seen as slow, opaque, and under-resourced. Delays in securing planning approvals increase costs for businesses and deter investment. To ensure the delivery of the statutory targets, the government must continue its planning reforms to address commercial vehicle specifications and prioritise grid connections for logistics facilities critical to transport decarbonisation.

One potential avenue to address these concerns would be for government to amend the Nationally Significant Infrastructure Projects (NSIP) regime to include large-scale EV charging hubs and hydrogen refuelling stations as eligible for NSIP status; and clarify that renewable energy generation/storage linked to logistics operations can qualify as infrastructure of national significance. This would be instrumental in supporting the decarbonisation of logistics that depends on the rollout of such energy infrastructure, which is often delayed under local planning.

Additionally, combined solar and EV charging applications should benefit from simplified planning procedures and improved coordination. Logistics requirements should be embedded into Spatial Development Strategies and permitted development rights expanded for renewable energy installations at logistics facilities.

Vehicle availability and required uptake

[1] CCC, *The Seventh Carbon Budget*, pg.13.
[2] Logistics UK, *Exploring current and future energy demand from road freight*, https://logistics.org.uk/exploring-current-and-future-energy-demand-road-freight-report.

Although the Zero Emission Vehicle (ZEV) Mandate stipulates a required uptake of new zero emission vans up to 100% by 2035, the availability of affordable vehicles is stifling this uptake, and targets are not yet being met.

Operators are generally faced with a higher upfront ZE vehicle cost, which can in part be subsidised by the government's Plug-in Van grant. The availability of vehicles which can rival their internal combustion engine (ICE) counterparts in terms of price and range is lacking. There is also serious regulatory misalignment between the heavier 3.5t ICE vans and their 4.25t electric van counterparts which Logistics UK has long been calling to be remedied.[3] These additional requirements on the heavier electric options are placing additional administrative and financial burdens on operators who have chosen to move to these vehicles.

This challenge is exacerbated for HGVs. There are limited model choices for logistics operators, meaning less variability in terms of range and price. The government's Plug-in Truck grant is beneficial; however, it only supports operators up to £25,000. Price variations between ICE and electric vehicles can be as much as £100,000-£150,000 depending on the model. With only around 1000 e-HGVs on UK roads today, it is clear that these issues must be addressed to achieve the HGV phase out dates of 2035 and 2040.

What is the right balance between proven solutions (e.g. EVs, heat pumps) and emerging technologies (e.g. CCUS, engineered removals) to deliver both the scale of ambition required whilst being confident that the measures proposed are deliverable and realistic to meet the obligations of the Climate Change Act?

Logistics UK members operate commercial vehicles, including light commercial vehicles (LCVs) and HGVs. The decarbonisation of these larger vehicles which are used for essential business services is a different challenge to that of cars. Some unique challenges experienced by the logistics industry include reduced payload (due to weight restrictions, and heavier electric vehicles), range anxiety, higher vehicle cost, lack of confidence in public charging infrastructure and a lack of regulatory alignment between ZEVs and their ICE vehicle equivalent.

The CCC stipulates that the decarbonisation of the transport industry will rely solely on electrification, with no role for hydrogen, and LCF use to be reserved for maritime and aviation. However, this is not the reality for many logistics operators due to the challenges with the existing ZE commercial vehicles available. LCFs, for example CNG, LNG and hydrogen combustion can significantly reduce greenhouse gas emissions but do not receive the same financial incentives as ZE options like electrification.

The CCC does reflect on the very low uptake of EVs in the commercial vehicle market currently, with only 1.4% of vans being electric in 2023. This market share percentage has risen to 8.9%[4] in 2025 but ultimately is still a small minority of the overall market. The September sales figures for electric vans reached 9.1% of all new registrations which is a positive trajectory but does not yet meet the 16% requirement of the ZEV Mandate for 2025. Additionally, there are only around 1000 e-HGVs on UK roads, with the over half a million HGVs still operating in the UK on diesel, or LCFs. It is also worth noting that the zero emission heavy goods vehicles and infrastructure (ZEHID) programme aims to deploy 350 subsidised e-HGVs to UK roads, with some of these already in operation.

BEV options do have limitations in comparison to their ICE counterparts which impacts the commercial viability of the vehicles. For example, our members voice concerns around the range and payload for BEVs, particularly for larger vehicles (40t-44t). Earlier this year, Logistics UK published research which highlighted that 40% of operators have concerns about the limited range and payload issue for electric HGVs.[5] Recharging time for BEVs is also significant, especially in comparison to the time required for refuelling ICE vehicles. This challenge also extends to the availability of public charging points and depots. An additional challenge faced by commercial vehicles is their size, with many public charging points being predominately accessible to smaller vehicles like cars and not being accessible to larger vehicles.

There are also concerns around the availability of vehicle models and choice, as well as for lead times for delivery. These concerns need to be addressed by the vehicle manufacturers (OEMs).

[3] Logistics UK, Final response: Zero Emission Vans – Regulatory Flexibility, https://logistics.org.uk/executive-membership/influence/responses-to-consultations/responses-to-consultations/final-response-zero-emission-vans-regulatory-flexibility

[4] Fleet News, "Electric van uptake 'surges' in September", https://www.fleetnews.co.uk/news/electric-van-uptake-surges-in-september

[5] Logistics UK, *Exploring current and future energy demand from road freight*, https://logistics.org.uk/exploring-current-and-future-energy-demand-road-freight-report.

To meet the obligations of the Climate Change Act, more flexibility to explore multiple transition pathways is required. For example, in the EU, some hydrogen combustion engines are classed as ZEVs under new heavy-duty vehicle CO2 regulations[6], which define ZEVs as vehicles emitting below a set threshold (e.g., <3gCO2/tkm). The UK government should consider categorising hydrogen combustion vehicles as ZEVs to encourage decarbonisation and ensure alignment with the EU, as well as alignment with the progression and development of vehicle-aligned technologies which can help the UK decarbonise the transport sector. The logistics industry must be supported to continue to run efficiently and cost effectively whilst decarbonising.

How will the costs of delivering CB7 be distributed between households, businesses and regions, and what policies are needed to ensure fairness, resilience, and public support?

Currently, the costs of delivering CB7 are not being fairly distributed across logistics companies. Other transport sectors (for example passenger cars and buses) have received far more funding and grants from the government in comparison to logistics, which is the backbone of the UK economy, and without which nothing moves.

One of the challenges experienced by the logistics industry is that price parity between BEVs and ICE models has not yet been achieved, which means the real and expected costs of investing in zero tailpipe emission technologies is significantly higher. Progress in this space has been made, with the average additional cost of a BEV over an ICE vehicle dropping from 53% in 2018 to 22% in 2024.[7] However, for an industry which operates on margins of 1%-2%, this price difference remains significant. Not only is the upfront cost still significantly higher for BEVs but given the challenges around weights and dimension restrictions for the vehicles, operators will almost certainly experience payload challenges due to BEVs being heavier and sometimes longer vehicles. The UK government has provided funding to alleviate some of this burden through the Plug in Van and Plug in Truck grants which have had funding extended through to 2027. The logistics industry needs this commitment to be extended and increased, as government support for the transition is essential to ensuring the statutory targets can be met.

A second challenge our members have shared is that grid upgrade costs can vary substantially. Some logistics operators have received quotes of upwards of £50m- £200m for the required upgrades to their operating site to electrify their operations. These grid upgrades can also come with substantial time delays, with some quotes of 5+ years. These factors are impacting the industry's ability to decarbonise, and these costs need to be further addressed through additional measures. For example, Logistics UK members welcomed the UK Government's Depot Charging Scheme announced in July 2025, as well at the Scottish Government's Heavy Goods Vehicle Market Readiness Fund. It is very likely that these funds and grants would encourage further uptake in the industry should they be continued and extended into future fiscal years. A commitment from government to the longevity of funding also promotes the uptake of these ZEV technologies as businesses feel more secure to invest in them knowing they will still be viable technologies in years to come.

A third challenge faced by the logistics industry, and other industries, is that UK electricity prices are higher than in all but three EU states (Germany, Denmark and Ireland).[8] In the UK, electricity prices were 19% above the EU average in the second half of 2024. This is hindering the competitiveness of UK businesses whose operations rely on electricity and is impacting those logistics operators who have chosen to decarbonise through electrification. Electricity bills in the UK are heavily impacted by policy costs, including environmental taxes and subsidies which can be responsible for around 25% of the total cost. While these measures are important to support the green transition, they raise prices and are subsequently deterring the transition to greener technologies. For a cost-effective transition, the sector requires a 'logistics tariff' comparable to those available to Energy Intensive Industries preventing disproportionate cost for early adopters.

To address all these challenges, we seek a joint industry and government logistics decarbonisation roadmap, to give the sector greater certainty to invest and reduce the risk of stranded assets. It would also assist with the equipping workers and communities with the skills needed to succeed as the sector decarbonises, by creating clear demand for new technical skills in areas such as electric vehicle maintenance, battery

[6] European Commission, Heavy-duty vehicles, https://climate.ec.europa.eu/eu-action/transport-decarbonisation/road-transport/heavy-duty-vehicles_en

[7] Jato Dynamics, *Closing the gap: the progress towards affordable EVs and the rising competition from China*, https://www.jato.com/resources/reports-and-whitepapers/closing-the-gap-the-progress-towards-affordable-evs-and-the-rising-competition-from-china.

[8] House of Commons Library, Gas and electricity prices during the 'energy crisis' and beyond, (Sep 2025) https://commonslibrary.parliament.uk/research-briefings/cbp-9714/.

diagnostics, charging infrastructure and energy management. By linking investment in fleet decarbonisation and depot charging to training support, opportunities can be created not just in major cities but also in rural and port communities where logistics hubs are located. Initiatives such as Generation Logistics, a careers awareness campaign, already demonstrate how targeted outreach can attract under-represented groups, ensuring the transition is fair and inclusive. With the right investment, existing workers can be reskilled, while apprenticeships and short, flexible training programmes can help young people and career-changers enter the sector with strong green skills.

How might wider government strategies for growth, productivity, and regional development influence emissions trajectories under CB7, and what mitigation is needed to ensure continued compliance with the Climate Change Act?

Growth is the government's ambition for the development of the United Kingdom, and growth cannot be achieved without the logistics industry which underpins the economy. Growth targets for housing, infrastructure improvements to roads through RIS3, advanced manufacturing, clean energy, and other large industrial expansion will have an impact on the emissions trajectory for the UK. This means that enabling the decarbonisation of the logistics is critical to ensuring continued compliance with the Climate Change Act.

The delivery of safe and efficient logistics is necessary to meet the government's growth ambition, but sustainability must be at its core if compliance with the Climate Change Act is to be maintained. Currently, the challenges that present in the logistics industry with the available BEV models include the loss of payload (up to 10%), and the loss of range for the longer haul journeys. These areas must be taken into consideration when considering the impact that policies like the ZEV Mandate will have on the industry's ability to move goods across the country efficiently and meet those aforementioned ambitions, especially when the BEV models available do not perform on par with the ICE equivalents.

It would be beneficial to economic growth for the government to support the use of LCFs in logistics, by backing its production and aiming for price parity with diesel. LCFs are a mitigation solution which reduce tailpipe emissions immediately, without impacting logistics efficiency. To unlock LCFs as a bridging solution, fiscal incentives to encourage higher blends of renewable fuels within the existing HGV fleet are needed alongside a stable RTFO trajectory beyond 2032. Additionally, there needs to be an open and supportive environment for hydrogen combustion, ensuring regulatory alignment with the EU on zero-emission status.